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BERLIN

I. Moscow apparently has not closed the door on a negotiated settlement on Berlin, despite the more uncompromising position taken by Gromyko in his second conversation with Ambassador Thompson.

A. There are indications that the Soviets may force an impasse in the Thompson-Gromyko talks with hope of moving the negotiations to a higher level -- foreign ministers or a summit.

II. Soviet interest in continuing the talks, however, has not ended the threat of a separate peace treaty.

A. Soviet sources have privately predicted that Khrushchev is not prepared to wait beyond March to determine whether negotiations will be productive from the Soviet viewpoint.

B. If negotiations fail to occur, or if the Soviets see no hope of a settlement on favorable terms, then Moscow will revert to the separate treaty and threats to cut allied communications to Berlin.

C. Meanwhile, the Soviets are continuing their efforts to drive a wedge between Bonn and its allies and have recently offered the West Germans direct talks with Moscow to protect their interests in Berlin.

III. In Berlin, East German control procedures remain generally unchanged but new demands such as passport and visa controls on foreign travelers to Berlin and within the city may be the next step.

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A. New customs controls in Berlin and at the East-West German border also may be instituted.

B. However, we do not expect the Communists to risk a serious military confrontation in the immediate future.

IV. In summary, it appears to us that the Soviets have not made any firm decision on their next moves and desire sufficient time to explore the Western position thoroughly, before embarking on any risky actions.

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East German Forces

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